



January 30, 2004

Charles C. S. Iannello  
Illinois Commerce Commission  
527 East Capital Avenue  
Springfield, Illinois 62701

Dear Mr. Iannello:

Ameren appreciates the opportunity to provide comments and suggestions regarding the draft Distributed Generation Rule the Illinois Commerce Commission has released for review titled "Interconnection Of Distributed Generation Equipment To Electric Utility Distribution Systems". Ameren has reviewed the documents and offers the following specific comments.

Ameren agrees with the Commission's intention to provide an expedited low-cost process for attracting and interconnecting distributed generation. However, the currently proposed rule will need revision to achieve that purpose, as it contains various impractical and nonfunctional procedures. In addition, the proposed rule contains several disincentives for the various utilities to work with customers and to work toward the goal of attracting distributed generation.

Ameren is concerned that certain jurisdictional issues may arise through the implementation of this proposed rule. The Federal Energy Regulatory Commission ("FERC") has exerted jurisdiction over transmission systems and the interconnection of generation to those systems. FERC has also exerted jurisdiction over generation connected to distribution systems where such generation will make a wholesale sale of electric energy in interstate commerce using a public utility's distribution facilities. Accordingly, by providing comments to this proposed rule, Ameren does not waive any jurisdictional aspects of generation interconnection to its distribution system.

Ameren believes that the Commission must provide a fair and balanced approach to distributed generation if it is to become a reasonable solution for customers in Illinois. Ameren has reviewed the proposed rule and has made several revisions to the documents that will not only provide a more understandable and workable process for the Interconnection Customer, it will also provide the Interconnection Provider with a process that can be efficiently performed to the benefit of both the Interconnection Customer and the Interconnection Provider.

The following comments note specific changes or items we believe the Commission should consider as it moves forward in its pursuit of a standard distributed generation interconnection process. Along with the following comments, we are submitting a copy of the proposed rule and a copy of appendix A which include several changes and comments in an effort to provide the framework for a more reasonable process for achieving the Commission's goals.

1. Excess Power Buy-Back The proposed rule does not currently require the Interconnection Provider to buy-back excess power (power in excess of the Interconnection Customer's needs) produced by the Small Resource. However, it would be safe to assume that the intent of the proposed rule is to not have the Interconnection Customer donate excess power to the Interconnection Provider. Therefore, any mention of purchases of excess power from the Interconnection Customer should refer to the tariffed prices that already exist for PURPA QF installations and which represent the value of the power to the Interconnection Provider (i.e., avoided cost) and be governed by filed tariffs of such prices.
2. Utility Standby Requirements The proposed rule is silent on any requirement by the Interconnection Provider to provide standby service for loads normally served by the Small Resource. However, the "Purpose" includes the following language "...and to facilitate the use of distributed generation equipment in order to provide electric system benefits during periods of capacity constraint.", which insinuates that the Interconnection Provider will be supplying standby requirements for these facilities. Accordingly, the Purpose section is inadequate on several fronts but especially on issues of standby. Capacity constraint can be either supply related (inadequate generation or transmission) or delivery related. Is the customer entitled to full standby of their DG for supply and/or delivery capacity?

It is difficult to envision a scenario where an Interconnection Customer controlled Small Resource would provide significant distribution capacity benefits. Any potential benefits that do exist need to be defined in such a way that the Interconnection Provider can truly implement such a benefit. In reality, unless some type of load limiting device is in place, the Interconnection Provider automatically supplies backup for the Interconnection Customer's small Resource. Therefore, the issue becomes that of properly recovering costs associated with providing distribution system capacity to backup customer generation. Currently all three operating companies have standby tariff provisions for bundled customers in Illinois, however, no such provision exists for Delivery Service customers. The current provisions may or may not be sufficient to cover the proposed Distributed Generation rules. However, some mention of the Interconnection Provider's right to recover costs associated with providing standby service to the Interconnection Customer needs to be included in the proposed rule.

3. Net Metering The proposed rule makes two brief references to metering – one in Section XXX.160 which states that metering shall be installed in accordance with state regulatory requirements, and one in the Appendix C Application Form which includes a question titled "Net-Metering Y/N". Illinois state regulations regarding electric meters only deals with testing and accuracy and does not address specific requirements for metering customers with distributed generation facilities. The inclusion of the "Net-Metering" question on the sample application form would indicate that allowing net-metering is anticipated, but it is not addressed anywhere in the proposed rule. (NOTE: Net-metering could be interpreted as allowing the meter to run

backwards and therefore result in paying customers for excess power at the same retail rate as they purchase the power from the utility.) In any event, the proposed rule should include language to allow, if not require, that power supplied to, or wheeled to, the Interconnection Customer by the Interconnection Provider and power supplied by the Interconnection Customer back to the Interconnection Provider, or wheeled to another entity via the Interconnection Provider, should be measured separately. Power purchased by the Interconnection Customer from the Interconnection Provider, or wheeled by the Interconnection Customer, should be in accordance with applicable tariffs. Purchases of excess power supplied by the Interconnection Customer to the Interconnection Provider, or wheeled by the Interconnection Customer to another entity, should be in accordance with existing or new tariffs which represent the value of the excess power to the Interconnection Provider (i.e., avoided cost), or the value of the use of the Interconnection Provider's system.

4. Metering The metering provisions under Section XXX.160 are inadequate to address the specific needs for larger Distributed Generating Equipment.
5. Transmission System References The proposed rule incorporates multiple references regarding the interconnection of distributed generation to the transmission system. Since the Federal Energy Regulatory Commission has exerted jurisdiction over these facilities, such references should be deleted.
6. Feasibility/Impact Study Requirement The review process outlined in the proposed rule under Section XXX.090 does not recognize that an analysis based on whether the Distributed Generation Equipment can be interconnected safely, reliably, and consistent with power quality standards is beyond the scope of a simple review. To properly identify the safety, reliability and power quality impacts of an interconnection, a Feasibility/Impact Study must be conducted. Accordingly, it is impossible to properly conduct the necessary analysis under the current regimen provided in this Section.
7. Secondary Screening The Secondary Screening process is applicable only if there is an analysis by the Interconnection Provider as to whether the Distributed Generation Equipment can be interconnected "safely, reliably, and consistent with power quality standards". As noted above, under Item 6, an analysis that considers whether the Distributed Generation Equipment can be interconnected "safely, reliably, and consistent with power quality standards" will require the performance of a Feasibility/Impact Study. The factors under the Secondary Screening process should be incorporated into the Feasibility/Impact Study process so that it can be properly analyzed consistent with the needs for safety, reliability and power quality standards.
8. Queue Requirements Section XXX.050 (f) provides that "Applications will be processed in the order that they are received." This statement does not account for potential conflicts with applications for interconnection service on Ameren's transmission or distribution system that may have been placed

under FERC jurisdictional requirements. This Section should be modified to account for the queued projects requesting transmission interconnection service that are already in place. If no conflict exists, then the Interconnection Customer's request can proceed.

Also, further clarification is needed to establish what information should be made available in the queue, and should the queue be publicly available.

9. Out of Order Studies Section XXX.050 (f) should provide the ability to study an Interconnection Request out of queue order based on Good Utility Practice and available Interconnection Provider resources. By allowing out of order studies, the Interconnection Customer will benefit from potentially faster study results and the Interconnection Provider will be able to utilize its resources more efficiently.
10. Interconnection Request Defined The application process should be formally defined as an Interconnection Request. This term is consistent with the industry-standard term for requests to interconnect with the transmission system and provides Interconnection Customers less confusion, especially if they are also working with FERC jurisdictional interconnections.
11. Required Reporting Section XXX.110 (c) states that, when performing the Feasibility/Impact Study, the Interconnection Provider shall consider, besides the existing generation connected to its own electric system, all existing generation connected to an Affected System's electric system and all higher queued generation interconnection requests. This requirement presents several difficulties.
  - a. In order for the Interconnection Provider to consider existing generation on its own electric system, certain mandatory reporting requirements must be in place for the Interconnection Provider to be fully apprised of what generation is on its system. At this time, there is no mandatory reporting requirement in place.
  - b. Consideration of generation on an Affected System's electric system will require the Affected Systems to respond quickly in providing such information for the Interconnection Provider to meet the time of completion under this Section. When an Affected System is not under the jurisdiction of the Illinois Commerce Commission, the Interconnection Provider may not receive the necessary cooperation.
  - c. Requiring all higher queued Interconnection Requests to be considered in the study process could cause the inclusion of projects that are unlikely to proceed. The Interconnection Provider should have discretion in the selection of which project should be included in the study process to provide a better quality study for the Interconnection Customer.
12. Indicated Purpose Section XXX.110 (d) states that an Interconnection Request must be evaluated without consideration of its intended purpose. Without knowing, and considering, the intended purpose of proposed

generation on the electric system, the Interconnection Provider will be unable to properly study the impact of the generation on the Electric System.

13. Technical Requirements for Parallel Operation The proposed rule does not contain necessary operational requirements to identify how the Small Resource shall operate when it is connected in parallel to the Electric System. Therefore, a new Section XXX.155 has been inserted to provide the specific information that an Interconnection Customer will need to know.
14. System Reliability In order for the Interconnection Provider to insure system reliability, information regarding the status of generation is needed. In particular, the Interconnection Provider should be apprised of whether such generation is on or off at any particular time.
15. Fuel Source The Interconnection Request form under Appendix B should include information regarding the fuel source of such generation, similar to the information requested under Appendix C.
16. Binding Maximum Costs The provision throughout the proposed rule for the Transmission Provider to provide “binding maximum” costs and estimates presents an unworkable and inefficient method for interconnecting a Small Resource. The Transmission Provider should provide the best estimate of costs to the Interconnection Customer based on the information available during the stage of the process at which the estimate is provided. However, by requiring the Transmission Provider to provide a “binding maximum” cost, the Transmission Provider is placed into the position of guarantor of the project’s final cost. As experience has shown, there are always unpredictable events in the construction process that could increase costs. As a result, the Transmission Provider will naturally estimate costs to be higher than expected in order to prevent the Transmission Provider from subsidizing the Interconnection Customer’s project.

The practical effect of requiring a “binding maximum” cost is that the Interconnection Customer will be receiving higher than actual cost estimates which will cause the economic viability of a project to be skewed and potentially cause the project to be cancelled. Since the Commission has indicated their desire to encourage the interconnection of distributed generation, any requirement that the Transmission Provider must guarantee construction or study costs should be replaced with the opportunity for the Interconnection Provider to provide the best estimated cost possible under reasonable business conditions.

17. Crediting Section XXX.120 (c) states that the Interconnection Customer should be credited for the cost of system or facility modifications. However, there is no further explanation or basis for providing credits in the proposed rule. Credits, if granted, should be based on a mechanism for the Transmission Provider to earn rate relief on the system or facility modifications being credited. At this time, there is no mechanism for such rate relief.

We would appreciate the opportunity to meet with you and your staff to review our suggested changes and additions. We believe this proposed rule will have a significant impact on the future of distributed generation in Illinois and on Ameren's ability to support this laudable goal.

Very truly yours,

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Ameren Service Company